



Testimony of Jeffrey Steele

President and Chief Executive Officer, First Choice Health Centers Inc.

My name is Jeffrey Steele and I am President and Chief Executive Officer of First Choice Health Centers Inc serving the communities of East Hartford, Manchester and Vernon. I am submitting this testimony related to HB 6659 AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2025, AND MAKING APPROPRIATIONS THEREFOR.

In 2022, First Choice served 18,145 patients, which we specialize in providing care for traditionally underserved communities. As a federally qualified health center, First Choice does not turn people away based on their ability to pay for services, and patients have access to same-day medical, dental, behavioral health, and specialty services. First Choice provided health care services to 16,363 patients who fall under 200% of the federal poverty guideline in 2022. Included in the number above are 3,081 people who are uninsured and would have no other access to health care in the community.

We appreciate the opportunity to highlight the important work of Connecticut's health centers and policy initiatives that will and enhance access to primary care. We also need your support to address the underlying, multi-year Medicaid funding gap that has placed the FQHCs in a dire financial crisis.

\$30 MILLION ONE-TIME, LINE-ITEM REQUEST FOR FEDERALLY QUALIFIED HEALTH CENTERS TO BE INCLUDED IN THE DEPARTMENT OF SOCIAL SERVICES BUDGET.

My testimony today centers on the immediate financial crisis, or "fiscal cliff" the FQHCs are facing. This financial crisis is caused first and foremost, by multi-year under-payment from the CT Department of Social Services (DSS) for Medicaid services. This underfunding of critical primary care services has escalated to a point where access to patient care is jeopardized. Over 61% of FQHC clients are Medicaid recipients; hence, underpayment for each visit rendered (1,099,681 visits in 2022) has resulted in a collective \$43 M annual loss of revenue.

Since 2001, health centers have significantly increased the scope and breadth of services they offer and added new facilities, including School-Based Health Centers, to expand access to care. Health Centers have more than doubled the number of patients they see and added remote patient monitoring, medically assisted treatment, specialty care, care coordination, referral management, nutrition counseling, chiropractic care, and many other services.

Health centers are paid through Medicaid via the Prospective Payment System (PPS) rate. Rates were originally set in 2001 and are adjusted annually via the Medicare Economic Index (MEI). However, the MEI provides little hedge against inflation and since 2001, the MEI increases have amounted to about 1% annually. Thus, for two decades, MEI increases do not adequately address the cost of providing care or keep pace with inflation, that recently averaged 6-8%.

The only other way for a FQHC to receive a PPS rate increase is via a “change in scope” request, submitted to the DSS. Health centers submit documentation to DSS detailing significant changes in improvement and expansion in their sites and services. **Health centers have submitted change in scope requests that have either been denied or only honored with a nominal increase, and more broadly, health centers have not seen a significant change in their rates in 22 years. Health centers overwhelmingly do not receive adequate PPS rates to cover the cost of care.**

As an example, since 2001, First Choice has changed significantly to address the needs of their patients by adding services, adding patient access points, and are operating at much higher volumes than in 2001. First Choice reported 3,876 visits on the 2001 Medicaid Cost Report to the Department of Social Services (DSS). Today, the patients served have increased by 375%. This change since 2001 coupled with the fact that the State of Connecticut (DSS) does not have a process to adjust rates based on scope of project changes is having a significant negative impact on the community health center system.

Every year, health centers submit cost reports to DSS reflecting the allowable cost or real cost of delivering each medical, dental, and behavioral health visit. **On average among CHCACT members (16 FQHCs), each health center loses \$60 for every medical visit and \$127 for every dental visit. Health Centers can not make up these financial losses.**

In a recent arbitration decision¹, the New Britain Superior Court ruled that the Department of Social Services “must meet federal requirements” in their response to Fair Haven Community Health’s request for a rate increase based on change in scope of services offered. This decision reaffirmed the Federal regulations that CT DSS must follow when reviewing change in scope of services request.

The Medicaid rate under payment compounded by inflationary increases and market competition factors, have led to THE CHCACT’S REQUEST OF:

\$30 MILLION, ONE-TIME, LINE-ITEM APPROPRIATION FOR DIRECT OPERATIONAL PURPOSES TO BE INCLUDED IN THE DEPARTMENT OF SOCIAL SERVICES BUDGET.

THIS APPROPRIATION IS NECESSARY FOR THE FQHCs TO JUST “KEEP THE DOORS OPEN” AND CONTINUE DELIVERY OF ACCESSIBLE CARE WITHOUT HAVING TO REDUCE SERVICES, STAFFING, OR CLOSE SITES.

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<https://civillinquiry.jud.ct.gov/DocumentInquiry/DocumentInquiry.aspx?DocumentNo=24070272>

The structural “fix” that is needed is to have the DSS establish a transparent process to review change in scope requests in a timely manner in conformance with federal CMS regulations. CHCACT is seeking dialogue with the Commissioner of DSS with the goal to have Health Centers submit requests that will compensate them at the true Medicaid costs rates, for provision of medical, dental, and behavioral health services.

Threats to the Community Health Centers:

The threats to the integrity of the health center programs have emerged, with the potential to significantly limit the value of the program for the most vulnerable patients it was intended to serve.

The current Medicaid rate structure is not sustainable for the health center program. The increase in salaries, medical supplies, insurances, and employee benefits, to name a few, have all increased at rates that the MEI increases do not address. Simply put, the actual inflation rate since 2001 has by far out paced the MEI increase provided to the health centers. This, along with the lack of a system to address Medicaid rates through a scope change will force longer waiting periods for patients and may limit services provided by health centers.

In addition, health centers struggle to staff their centers as they compete with local hospitals and larger primary care systems for the same talent. The local hospitals have significantly more resources when hiring staff and providers which put the health centers at a disadvantage.

We greatly appreciate your consideration of the CHCACT’s request. Without the Legislature’s attention and action, Medicaid clients will lose access to the primary care services needed to reduce health disparities and increase preventive and primary care that saves lives.

Thank you for the opportunity to testify on this important matter.

The Connecticut community health center's Medicaid rates were established in 2001 based on the Prospective Payment System (PPS) formula provided by CMS. Since the establishment of the Medicaid rates in 2001, community health centers have received an inflationary increase year over year that does not meet the actual inflation rates. As an example, the health centers received a 1.5% inflationary increase in 2022 while the average inflationary rate during that time was over 6%. This process year over year is not sustainable for community health centers.

The community health center program helps hundreds of thousands of Connecticut residents every year receive quality and affordable health care. The limitations placed on the health centers through the current Medicaid rate system is contributing to extended period of access to care and reduced access to affordable care.

This lack of action over the years by DSS will significantly impact the overall health care of our patients. First Choice or any patient should not have access to a full complement of services and receive those services in a reasonable time frame. The Connecticut health center's as federal statute was intended, provides access to affordable health care to low income, uninsured and underinsured patients, suffering from complex conditions who would otherwise go without these crucial services. First Choice has seen first-hand the benefits of the health center program for our patients. Access to affordable medical, dental, behavioral health and specialty service is vital to improving health outcomes. This is not only important in terms of the individual patient; but also improved health outcomes has an impact across the entire health care delivery system. Specifically, when health centers can effectively manage acute illness and chronic disease, health centers keep people out of the emergency room and reduce the inpatient services costs in the system. Access to affordable health care is a critical piece to maintaining a viable health care system.

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In addition, health centers struggle to staff their centers as they compete with local hospitals for the same talent. The local hospitals have significantly more resources when hiring staff and clinicians which put the health centers at a disadvantage.

In a recent arbitration decision (1), the New Britain Superior Court ruled that the Department of Social Services “must meet federal requirements” in their response to Fair Haven Community Health’s request for a rate increase based on change in scope of services offered. This decision established a new legal precedent that health centers can use to seek rate increase is based on a change in scope of services. Our hope is that we can work with the Department of Social Services to establish an equitable payment methodology that addresses the current shortfalls that health centers are experiencing in their reimbursement for services that will be more comprehensive than the language in the underlying bill.

Therefore, as you take action to protect the integrity of the Community Health Center Program, I would ask that you include provisions that codify the Medicaid rate setting model.

Sincerely,

Jeffrey Steele

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¹<https://civillinquiry.jud.ct.gov/DocumentInquiry/DocumentInquiry.aspx?DocumentNo=2407027>